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RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC

UNCLAS BUENOS AIRES 001418

SIPDIS
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E.O. 12958: N/A

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SUBJECT: Argentina's Buenos Aires Province-owned Bank
Seek to Expand Venture Capital, Micro Finance Profile

Summary

¶1. (SBU) Guillermo Francos, President of Argentina's second largest public bank, Banco de la Provincia de Buenos Aires (BP), is looking to expand secured lending to provincial small and medium enterprise for investment in new productive capacity. Outside of BP's regular lending activity, Francos sees an opportunity to have a significant impact on provincial new business generation via a provincial venture capital fund to be structured with World Bank, IDB, and perhaps OPIC support (if 620Q sanctions are lifted). Francos also called micro-financing an exciting "outside-the-envelope" opportunity for BP, with informal surveys pointing to 800,000 potential micro-finance clients in the province. On provincial politics, Francos called Governor Scioli of "presidential weight" in upcoming 2011 elections. Key for Scioli, Francos said, will be to manage well, connect on a human level with his provincial constituents, and maintain good relations with the Kirchner administration to keep needed federal funds flowing into provincial coffers. End Summary

Bank Focus on Venture Capital, Micro-Finance

¶2. (SBU) Banco de la Provincia de Buenos Aires (BP) President Guillermo Francos and BP Director Carlos Magarinos hosted Ambassador and Econ Counselor to lunch October 1 to discuss BP's efforts to support credit expansion and investment in Argentina's largest and most densely populated province, which holds 35% of the nation's population and contributes 38% of total GDP.

¶3. (SBU) Francos called BP's overriding mandate to expand secured lending to provincial small and medium enterprise (Pymes) for investment in new productive capacity to meet burgeoning domestic demand. Cash-flow financing for business and personal use are not a priority and the domestic mortgage market remains stagnant, he said.

Francos said he was unconcerned by Standard and Poor's April 2008 downgrade of BP from "B+ stable" to "B+ negative" since it reflected a broader provincial downgrade which BP could not escape.

¶4. (SBU) Outside of BP's regular lending activity, Francos said he sees an opportunity to have a significant impact on provincial new business generation and employment via participation in a "sizeable" venture capital fund. Director Carlos Magarinos said he had already been in touch with the World Bank and IDB on this. Francos said he was aware of OPIC's substantial expertise and involvement in regional investment funds and noted he had met OPIC President Mosbacher in Miami during the spring 2008 IDB meeting in Miami. (Note: OPIC remains closed in Argentina pending resolution of 620Q sanctions).

¶5. (SBU) Francos also called micro-financing an exciting "outside the envelope" opportunity for BP to improve the wellbeing of Buenos

Aires province residents. He said that informal bank surveys indicated that there were 800,000 potential micro-finance clients for small loans in the ARP 1,000 - 1,500 (roughly US\$ 300-450) range.

¶6. Francos and Magarinos said they planned to attend the annual mid-October Bank/Fund meetings in Washington. They asked Ambassador to pass a letter to Senator Dodd (who Magarinos said he had met in the 1990s while working for the United Nations) requesting a meeting with him. (Post forwarded the letter to Dodd's staff in early October.)

Francos on Governor Scioli

¶7. (SBU) In an earlier conversation with EconCouns, Francos freely admitted that he has little financial background but emphasized he is close to Province of Buenos Aires Governor Daniel Scioli. He highlighted polls calling Scioli one of Argentina's most trusted politicians and called him of "presidential weight" in upcoming 2011 elections. Key for Scioli, Francos he said, will be to manage well, continue connecting on a human level with his provincial constituents, and -- most challenging -- maintain good relations with a jealous and periodically vindictive Kirchner administration to keep needed federal funds flowing into provincial coffers.

Background: Banco Provincia

¶8. (SBU) Banco Provincia (BP) was founded in 1822, which makes it the oldest financial institution in Latin America, with 342 branches in the province and city of Buenos Aires. BP is the second largest public bank in Argentina after federally administered Banco de la Nacion. Within the broader Argentine banking sector, BP ranks second in terms of assets and deposits, sixth in terms of loans and seventh in terms of net worth. While BP's role as financial agent for the province offers it a source of cheap and ready liquidity, in an earlier conversation with EconCouns Francos called it an inefficient behemoth whose operating expenses are "out of control." (S&P notes that operating expenses consume 86% of total revenues, significantly higher than the cost structures of other public Argentine banks).

Bio Data: Guillermo Francos

¶9. (SBU) Guillermo Francos was named President of Banco Provincia in December 2007 when the Provincial Senate accepted his appointment to replace Martin Lousteau who has been designated Ministry of Economy. Previously, Francos worked as a Director of Aeropuertos Argentinas 2000 for the Eurnekian group and as the head of LAPA airlines before it went bankrupt in 2003. Francos' political background includes serving as a parliamentary deputy from 1998 to 2000 representing the "Accion por la Republica" party founded by former Minister of Economy Domingo Cavallo. He resigned his seat citing "moral fatigue" following the Senate labor reform scandal (which also saw the resignation of then-VP Carlos Alvarez) in 2000. Earlier, in 1994 he served as Undersecretary of General Inspection Office in the city of Buenos Aires during the first Menem administration. One of Francos' sons works as an attorney for a Washington DC firm, specializing in ICC arbitration.

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